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CAN AMERICA SAVE EUROPE?

by Felix Morley

Any careful study of the report of the Paris Conference on the so-called Marshall plan is bound to raise the question posed above. It is not a matter of whether the United States wants to save Europe; nor whether it has any obligation, moral or otherwise, to do so. The issue demanding consideration is more stark: Is it possible for America -- meaning primarily the United States -- to save Europe?

That the situation in Western Europe is desperate is common knowledge. The summer now closing has been a period of growing anxiety and increasing pessimism over there. But as the days grow shorter, as frost sets in, and as the cold East wind sweeps down out of Asia, past troubles are likely to seem almost pleasurable by comparison.

"If too little is done and if it is done too late", says the report of the Committee of European Economic Co-operation:

> "Life in Europe will become increasingly unstable and uncertain; industries will grind to a gradual halt for lack of materials and fuel, and the food supply of Europe will diminish and begin to disappear."

The responsibility of the United States in the emergency is two-fold. In the first place the conference of the sixteen Western European nations was convened at the instigation of the United States. On June 5, at Harvard, Secretary Marshall said:

> "Before the United States Government can proceed much further in its efforts to alleviate the [European] situation . . . there must be some agreement among the countries of Europe as to the requirements of the situation and the part those countries themselves will take in order to give proper effect to whatever action might be undertaken by this Government. . . . The program should be a joint one, agreed to by a number, if not all European nations."

This was the misnamed "Marshall plan" -- not itself in any way a plan, but an official suggestion that a plan should be made; an assurance that this country would provide "friendly aid in the drafting of a European program"; and a further assurance "of later support of such a program so far as it may be practical for us to do so".

The Report of the Conference emphasizes that it met "in response to Mr. Marshall's speech of June 5". American aid in drafting the

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report, however, was mainly instrumental in forcing the Paris conferees to reduce their original estimate of Europe's minimum needs during the fours years 1948-51. The total in the draft report was close to $30,000,000,000. As a result of startled "suggestions" from Washington this huge figure was cut down to the present $22,440,000,000 total, of which a minimum of $15,810,000,000 is expected from the United States.

The program is now in the lap of the Truman Administration, which must now make good on Secretary Marshall's promise "of later support . . . so far as it may be practical".

II

The obligation of the United States, however, is not confined to fulfilling Secretary Marshall's guarded assurances. This Administration, if not the nation as a whole, also carries a heavy responsibility for making the European disaster worse than it needed to be.

In the HUMAN EVENTS Analysis of September 10, entitled "Our Bankrupt European Policy", we emphasized the part played by the Potsdam Declaration of August 2, 1945, and the subsequent "Level-of-Industry" Agreement for Germany, in destroying all hope of European recovery. President Truman signed the Potsdam Declaration and his Administration both advocated and endorsed the subsequent policy of wrecking what was left of German industry, at a time when increased productivity in all of Western Europe was essential for its recovery.

The report of the CEEC is too tactfully worded to denounce the Potsdam policy openly, but it does so inferentially in almost every paragraph. Thus it points out that immediately after the close of hostilities in Europe the natural recuperative power of the capitalist system gave promise of restoring the economic health of Western Europe, in spite of the appalling physical destruction. "Nevertheless", says the report, at first "recovery proceeded well -- indeed, much faster than after the end of the First World War".

"This improvement", however, "was not maintained in the winter of 1946 to 1947", partly because last winter was very severe in Europe but much more because of the universally destructive effect of the Morgenthau policy. In the words of the report:

> "Further advance from the levels of autumn 1946 would, in any case, have been difficult in view of the continued inability of the German economy to supply the coal and other products upon which so much of Europe's economic life depends."

The case of heavy tractors may be mentioned as a single illustration of the senseless damage caused by the Morgenthau school of thought, for which the American people are now asked to pay.

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By the Level-of-Industry Agreement, Germany was prohibited from manufacturing any of these indispensable instruments of production, in spite of the fact that they are not built in any other country of Western Europe. Now the report of the CEEC specifically names "heavy tractors" as one of "the special types of equipment and machinery which Europe does not produce" and which must therefore be furnished gratis by the United States even though in short supply at home.

The illustration is only one of many. The report points out that there are not now enough locomotives in Europe to break a steadily worsening transportation bottleneck. On American insistence, German industry, producer of Europe's finest engines, was prohibited from building any locomotives before 1949.

III

After seventeen disastrous months the Level-of-Industry Agreement was modified, so far as the British and American zones of occupation are concerned, on August 29. At the same time it was agreed to put the rich Ruhr coal industry under joint Anglo-American supervision and to restore some measure of management to the German operators.

In the whole dismal record of post-war bungling nothing has been more sorrowful than the reasoning whereby the British bureaucracy, having proved itself incompetent to produce coal in England, was nevertheless encouraged to impede the production of German coal also. The moral was pointed when, a few days ago, an American ship steamed out of Baltimore harbor, carrying 8000 tons of coal to Newcastle!

When coal is carried from West Virginia to Newcastle, because British Socialism is incompetent to extract the coal which lies under its very feet, all the solemn talk about "dollar shortage" in England becomes fantastic. Not once in the long report of the CEEC is it admitted that a large part of Europe's appalling problems are due to governmental strangulation of industry, which gifts will not relieve.

We are told that by 1951 British coal production "is programmed to exceed the 1947 figure by 50,000,000 tons". But the report is discreetly silent on the fact that even if this ambition is achieved, the British production of coal in 1951 would still be almost 40,000,000 tons short of what it was in 1913.

The failure of this report to mention bureaucratic bungling as a major cause of Western Europe's diminished production, strengthens doubt as to the ability of America to save these countries. Because of this omission the constant reiteration of the "dollar deficit" cry seems deliberately misleading. It tends to disguise the disagreeable fact that any unproductive loan is of no real value to either borrower or lender -- is, indeed, injurious to both and to society as a whole.

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There is little doubt that the United States could manage to supply the sixteen billion dollar's worth of goods -- about six billion of this in 1948 -- which the report says must be given to Western Europe during the next four years. Available statistics indicate that in one form and another approximately fifteen billions of materials, over and above cash sales, have been donated to all of Europe (including the Russian zone) since V-J Day.

The continuation of largesse on this scale would of course keep many items in short supply at home, and would therefore tend to keep prices high and otherwise maintain inflation. It would also, assuming a balanced budget, prevent any tax reduction whatsoever. But the interim report on grain export policy, released on September 27 by the President's Committee on Foreign Aid, indicates that European requirements can be met, even in this critical field, without "grave hardship".

So it would seem both physically and financially possible to give the assistance requested, as scaled down by the American advisers at the recent Paris Conference. And from one viewpoint there is little doubt that the program of charity for Western Europe is politically advisable. In its absence Communism is practically certain to extend its gains this winter and may well eventually bring the whole European Continent, including Great Britain, under the control of Moscow.

The question as to which there is more doubt is whether American assistance, on the scale demanded, will in the long run prove more than a stopgap. It might well weaken the United States and fail to strengthen Western Europe.

The CEEC report has a lot to say about European self-help. It is a distinct gain that the Anglo-American zone in Germany is throughout regarded as an integral and vital part of the economy of Western Europe. There is discussion of possible Customs Unions and other practical steps looking towards that European federation which is now so clearly essential to survival. But these assurances are not too convincing, and are weakened by such unfortunate political mistakes as the studied exclusion of Spain from talk of a union which would be feeble and incomplete without that important segment of European economy.

In short, there is neither security, nor any certainty of efficacious use, behind this sixteen billion dollar touch. To conclude otherwise would be merely to invite even more disillusionment for Americans whose crusading passion in behalf of Europe is growing a little pale.

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Not Merely Gossip *A Supplement to* Human Events VOL. IV, NO. 40

By Frank C. Hanighen October 1, 1947

Returning after two weeks vacation in Mexico, we were immediately struck by one conspicuous difference between the atmosphere across the border and that in our native land. In the neighboring republic, the primary emphasis rests on the economic problem, and politics is neither an interesting nor popular topic.

From Texas northward, in contrast, we found the local papers speculating as to whether Bob Taft had improved his Presidential chances during his tour, whether Eisenhower could continue to gain in the opinion polls, and whether the new Democratic Party chairman would prove "New Dealish". And President Truman, faced with the gigantic problems of aid for Europe and domestic price inflation, merely tossed the ball, with the flourish of a professional, into the hands of four Congressional (and incidentally Republican) committees. A gringo, indeed, must apologize to Mexicans for his leader's pre-occupation with party politics, at a time when the old world is tottering.

Mexican leaders, to be sure, suffer from fewer political limitations. The republic has in effect a one-party system, and the present administration, under the new President, Miguel Aleman, is popular. Also, the country has enjoyed great prosperity during the war, and the post-war period has been very good until recently. Signs of a building boom impress an American visitor, although a number of ambitious skyscrapers in the capital remain half-finished -- testimony to the scope of the recent economic slow-down.

The latter phenomenon (usually referred to as the "dollar shortage") has inspired prompt handling by the Government without much political controversy, or so it seems to a foreigner. The Government and business classes have recognized and are grappling with the central difficulty -- a lop-sided international balance of payments.

Mexico's trade with the United States is the paramount factor in this disequilibrium. During the war, Mexico sold us much, but bought less than it needed (because of our shortage of consumers goods) thereby accumulating a big store of dollars. But meanwhile the appetite for American products had also been increasing at a gargantuan rate, and after V-J Day a reverse process set in. Mexicans engaged in an orgy of buying American goods, while the U. S. needed and bought fewer Mexican products. Accordingly, by last spring, the Mexican dollar balance had been considerably diminished and by July had entered the danger zone where any further big drafts might affect the standing of the currency.

The Aleman Government, therefore, acted energetically, imposing an import ban on a long list of goods, mostly luxuries and semi-luxuries. The Mexican design is to get many Mexican factories to produce goods or substitutes for the goods formerly imported; and in many cases to import parts from the United States to be assembled into finished products in Mexico. All this, of course, falls short of solving the problem, and the Mexican Government well knows it. What the country needs is to sell goods abroad to obtain dollars. And the best way to do that is to produce enough oil for the export market, in which Mexico has not been important for many years, due largely to the inefficiency of the nationalized oil industry.

Hence, we were not surprised to find Mexico City alive with rumors of deals, between the Mexican Government and American oil interests, to expand oil production. The intention is not to grant any concessions to Americans to exploit oil fields, but rather to make deals involving drilling contracts. Mexico has drilled a negligible number of new wells since the expropriation of oil properties in 1938. One deal, with a comparatively small American concern, has been concluded

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in recent weeks, for drilling 100 new wells. Actually the need is for at least 1,000 new wells, as quickly as possible, and more important American firms will have to be considered.

The 100-well contract, however, is regarded as the opening wedge, and business circles believe that ere long more contracts will be concluded. In the present profitable market for petroleum, Mexico should be able to clean up, once the new wells start pumping and the tankers move across the Gulf. Meanwhile, such measures as the import ban are relied on to tide the country over during the transition.

In short, the Aleman Government, more favorably disposed towards business than its predecessor, realizes that it must attract American know-how and capital to develop the country. In such a course, however, the Government has to strike a nice balance between economic needs and the political prejudices of the people. For decades foreign business interests have been unpopular and consequently have been the target of nationalistic legislation. But there are ways. . . .

For instance: We talked with a French business man about the well-known Mexican law which provides that 51 per cent of stock in all Mexican corporations should be owned by Mexican citizens. (In the United States, many investors regard this as a substantial obstacle to placing money in Mexico.) The Frenchman, who operates a box factory in an outlying Mexican state, smiled and said: "On my company books, I am credited with only 49 per cent of the stock. But that Mexican stenographer in the outer office is on the books for 2 per cent; other Mexicans, including my lawyer, own the rest. Well, look here" ----- and he took out a stock certificate. "Almost all stock certificates in this country are 'bearer' certificates. The bearer may vote the stock, or transfer it. My stenographer" -- he grinned -- "very kindly gave me her stock. I 'bear' it. I vote her 2 per cent, therefore I control my box corporation. My American friends here do much the same. Most of the foreign capital in this country controls the companies in which it is interested."

Checking his statement in other responsible business circles, I found it was correct. Most American companies own and control the branches and other companies which they have established in Mexico. It should be added that the above device is not always necessary. The Government has the right to make exceptions to the 51 per cent law when it thinks it best for the national economy -- and that is by no means infrequently. For instance, if the Government wants some new industry started, the foreign company which can operate such a plant is given the benefit of an exception to the law.

Thus the Mexican Government accomplishes its objective of expanding the national economy. By keeping the 51 per cent law on the statute books, it placates nationalistic sentiment among the people. And by the above mentioned devices it enables foreign capital to help develop industry. It would be premature to predict that other such methods will be used in the coming period. But if a formula is found, combining political face-saving with inducements to foreign money, much can follow.

Whatever the new talisman may prove to be, observers expect that the Mexican economic troubles, of which the dollar shortage is symbolic, will not be solved overnight; and the present non-political atmosphere could change. The Communists, now much less in evidence than formerly, might then come to the fore again.

At present the Soviet Embassy is a rather dull place, quite in contrast to the situation three years ago when Ambassador Oumansky held his brilliant court, dominating the social and intellectual life of the Mexican capital. Several years ago, after Oumansky's death, the Comintern GHQ for the hemisphere was moved to Cuba, and Communist Party prestige has been on the wane. Lombardo Toledano, fellow traveller

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head of the Mexican labor federation, has lost ground but continues to follow the party line in new political and trade union ventures. And the Communist apparatus has by no means vanished.

An example of how the Commies still work was seen in incidents arising from the Government's drive to wipe out aftosa (the hoof-and-mouth disease). This epidemic has ravaged Mexican herds and resulted in a ban by the U. S. against imports of Mexican cattle. The two governments joined in an effort to kill all diseased cattle and with much success.

But the campaign has met with some peasant resistance. In Michoacan, peasants attacked and killed soldiers detailed to the task of rounding up diseased stock. Some local government quarters blamed the trouble on the Sinarquistas, members of a Fascist movement. But some American and other foreign observers who have studied conditions in that state place the responsibility on the Communists. It may have been both; or it may have been simply blind peasant stupidity.

In any case, in a developing internal crisis, the Communists still possess a network to exploit local conditions. That they lose no opportunity to turn such situations into agitation against the United States goes without saying. Some of this anti-U. S. propaganda, it is claimed, arises from one of the subsidiary French Government missions in Mexico City which is dominated by fellow travellers. But, at present, the trouble-makers have an up-hill fight.

For, good feeling between the two countries now prevails. Some of this is due to President Truman's fine gesture last winter when he placed a wreath on the graves of Mexican dead, killed by U. S. troops in 1847. Mexican sentiment responded warmly. But traditional suspicion dies slowly, and this new crust of favorable feeling could be broken. United States diplomacy, now in the competent hands of Ambassador Thurston, has indeed a delicate task to perform.

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In contrast to our intelligent handling of affairs with Mexico, our bungling in Germany apparently continues. On returning to Washington, we opened a letter from an American friend in Nuremburg which says: "Factories continue to be dismantled and every economic or intellectual initiative is systematically stifled. During my visit to Berlin, a bunker in the Tiergarten, which we fully equipped as a hospital, was blown up by the British authorities. There was just enough time to evacuate the patients. The entire equipment went up into the air. . . .

"To be sure, the German political officials are being visited all the time by Americans, but only by Intelligence officers who want to gather information, not by people who want to make constructive suggestions and to help. The Economic Council and the entire bi-zonal bureaucracy at Minden and Frankfurt are mere debating societies, without any real power or practical importance. German leaders, who were elected to those bodies, tell me that as long as the British and Americans do not define the term 'control', nothing worth while can be done. This term covers everything; above all, complete irresponsibility. I could give you more details about this, but my German secretary does not have enough to eat to be able to take down long letters.

"At any rate, it is not surprising that people here are slowly moving from an attitude of skepticism to a state of complete desperation, the more so since preparations for the winter are even more insufficient than last year. Fear of the winter paralyzes everything. No wonder that no one gives a hoot for the finest promises and the best 'democratic press'. It is two minutes to twelve. Even if things should improve economically during the next few years, it would not do much good. What is needed is a decisive moral and political change right here, dramatized by some such action as the recall of General Clay and his entire staff."

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Book Events

The American Experience, by Henry Bamford Parkes. New York: Alfred A. Knopf, $3.50. Reviewed by J. M. Lalley.

Mr. Henry Bamford Parkes is of course not the first who has attempted to trace the various historical influences which have created the special quality of American life and shaped the peculiar character of the American people; but he differs from most of his predecessors in this field in being by birth an Englishman. Perhaps that circumstance alone does not justify us in presuming in him a particular acuteness of vision; yet it seems unlikely that a native historian would find that the influence of American democracy has been chiefly responsible for the calamities that have overtaken Europe or that the obsession with European ideas of certain Americans in every generation has brought the United States to its present situation of great danger. In short Mr. Parkes' thesis, as I make it out, in his study of The American Experience, is that what has been America's meat has been Europe's poison, and vice versa.

Mr. Parkes finds that the only meat on which the American genius has thrived is the egalitarian ideal, which of itself perhaps is no great discovery. He believes this ideal to have been nourished, not only by the unique circumstances of American life throughout the first three centuries of its history but also by religious traditions. Thus, where Professor Wertenbaker tends to discount the influence of Calvinism on the American genius, Mr. Parkes is at much pains to underline it. It is in their religions rather than in their politics, he argues, that peoples reveal what they are: "A theology is a kind of collective poem or work of art that records the secret emotional history of a community." The influence of Calvinism on the American spirit was a curious inversion of the logic of its own doctrines; its fatalistic concept of Grace tended to emphasize and enlarge the role of the will in outward affairs; its pessimistic view of human nature tended to encourage self-assurance, aggressiveness, industry and the pursuit of material success; the supreme authority that it gave to the Scriptures bred contempt for metaphysical speculation; its discipline disparaged purely aesthetic or sensuous values. All these, certainly, are among the positive and negative traits that distinguish the American psychology to this day.

In the political order the American genius found its truest expression in the agrarian democracy, represented at various stages by Jefferson, Jackson, Lincoln, the Populists and the Progressives, and in the leveling tendency which found its social ideal in the notion of "a happy mediocrity". But, side by side with the agrarianism ascendant in the earlier years of the Republic, Mr. Parkes traces an opposing influence, represented by Hamilton, Henry Clay and the post-Civil War Republicans, to which he gives the name of aristocratic capitalism; he considers it to have been a disastrous effort to superimpose European political and economic concepts on American life. The Revolution of 1775-83 was a triumph of the agrarian spirit; the Constitution of 1789 with its Newtonian clockwork of weights and balances a reversion to the aristocratic tradition. As far as the course of American politics has followed the instinct of American democracy the result has been happy; wherever it has been guided by European ideas the result has been otherwise. The doctrines of the Federalists, European in their inspiration, made inevitable the downfall of agrarianism and the victory of the capitalists. Out of this conflict of American economics and the democratic instinct have arisen those tensions and emotional insecurities which have increasingly characterized American society since the disappearance of the Frontier. The danger now lies in the temptation to resort to European ideas of collectivism to correct the inequalities of status that the triumph of capitalism has created.

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